

MORE AID TO LINES REFUSED BY BANKS

Railways Could Not Borrow
Without Assurances of
Higher Fares.

END FORESEEN BY SHONTS

Officers Conferred Two Days
With Financiers to Prevent
Receivership.

Announcement that Judge Mayer had appointed a receiver for the New York Railways Company came after two days of conferences between officials of the company and bankers, and followed closely upon a hurriedly called special meeting of the directors. It was rumored for hours in Wall Street that the receivership was close, although the general opinion appeared to be that it would include both New York Railways and Interborough Consolidated. The weakness of the traction shares throughout the day reflected the general opinion in the street as to the imminence of receivership proceedings.

For two days the chief officers of the company had been in almost continuous conference with bankers endeavoring to evolve some method by which the receivership might be averted. No loophole of escape was seen, however, in view of the situation with respect to higher fares. Theodore P. Shonts, in an interview after the announcement of the appointment of a receiver, went over the fight which the traction officials of New York have been making for the last two years for higher fares. He referred to the first pamphlet which the Interborough Rapid Transit Company had caused to be issued on this subject, a pamphlet entitled "Why a Charge for Transfers is Justified." That, he said, was published early in 1917 and marked the beginning of a campaign to educate the public to the necessity of higher fares and transfer charges.

Shonts' Campaign of Education.

"From that time to the present," Mr. Shonts said, "we have been trying to educate the public and the public authorities in regard to the changing conditions over which we had no control and as a result of which all electric traction lines must soon reach a point where trouble would follow unless some provision was made for an increase in revenue. In the summer of 1918 the situation became so critical that we doubted that we would be able to pass safely by October 1. We did manage to get through that period, however, but again on January 1 the situation was just as bad. Nature was kind to us, however, and sent us a mild winter, so that with a slightly increased revenue during the winter we were not forced to meet the heavy costs usually incident to the winter season.

"And so the situation has been. All the time we have been hoping for relief or for a promise of relief upon which we could go before bankers and get adequate funds. If the bill had passed in Albany (the Carson-Martin bill) or if the Board of Estimate had taken a different attitude I think the banks would have helped us. But when January was \$91,000 worse than December, with the latter the worst month in our history, the situation began to look pretty hopeless.

"We lived on through February and when our creditors began to press us and to demand payment and ask for statements of our cash position the inevitable happened. These people came along and filed their bills and served them on us today.

"When it was put up to us a hurried meeting of the board of directors was called. I read to the board our financial condition and it was the judgment of the directors that there was nothing to do but to acquiesce in the petition.

"Judge Mayer has appointed Mr. Hedges our receiver and we are going to do all that we can to help him untangle the situation as much as possible."

Figures on Eight Cent Fare.

Mr. Shonts was asked how much, in his opinion, would have been necessary for the company to charge for fare to avert the receivership. In reply he said: "We figured we ought to have an eight cent fare for the Interborough and an eight cent fare and a three cent transfer charge for the surface lines. We figured that seven cents would make us whole, that the eighth cent would make a return on the city's investment. While we have a nominal fare of five cents on the surface lines, we issue so many transfers that the average fare for passengers carried is now down to less than three and one-half cents—3.42 cents to be exact."

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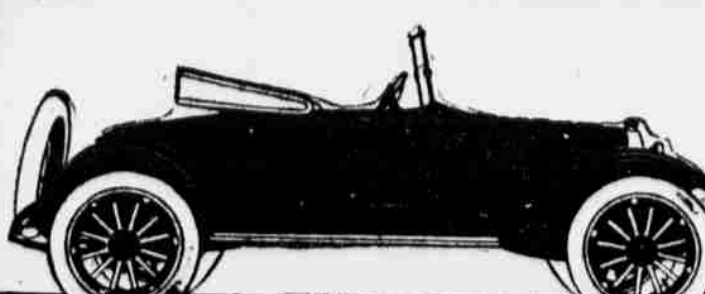
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RECEIVER IS NAMED FOR N. Y. RAILWAYS

Continued from First Page.

generally, and the receivership is finally asked for in order that the resources of the company may be conserved and the interests of the public as well as those of defendant and plaintiff protected.

The petition of the plaintiff alleges that the company has an authorized capital stock outstanding of \$17,485,000 and that the lines are subject to the following mortgage indebtedness:

First real estate & refunding mortgage \$15,001,389.75
Adjustment bonds \$2,000,000.00
Convertible scrip 2,500,000.00

List of Mortgages.

Then follows a list of outstanding mortgages on the property of companies owned and operated by the New York Railways Company as follows:

Lexington Avenue & Poughkeepsie Ferry Ry. Co. \$5,000,000.00
Columbus Avenue & Ninth Avenue Ry. Co. 8,000,000.00
Broadway Ry. Co. 1,500,000.00
South Ferry Ry. Co. 150,000.00
Central Crotona Ry. Co. 250,000.00

The mortgage indebtedness alleged in the petition against the lines leased by the New York Railways Company is given as follows:

Broadway & Seventh Avenue R. R. Co. first consolidated mortgage \$2,150,000.00
Christopher & Tenth Street R. R. Co. 310,000.00
Twenty-third Street Ry. Co. improvement and refunding mortgage 1,500,000.00
Bleecker Street & Fulton Ferry R. R. Co. 700,000.00
Thirtieth Street Crotona Ry. Co. 1,000,000.00

The plaintiff is informed and believes that failure to meet the interest on such mortgage indebtedness as such interest matures, other than that interest on the aforesaid adjustment mortgage indebtedness, which accrues only as earned, will operate also as a default under the mortgages securing the indebtedness, the interest on which shall so become in default and render such mortgage enforceable.

Operation of System.

"That on information and belief the defendant since entering into possession as aforesaid has operated all the lines owned and leased by it as parts of a single system constituting routes over different lines and parts of lines, connecting separated lines over parts of intermediate, leased or owned lines, or lines of controlled companies, interchanging equipment among the various lines and furnishing equipment as might be required to meet from time to time the varying requirements of particular lines; supplying power and using power houses, car barns and stations as seemed best for the effective and economical operation of the system as a whole and establishing a system of transfers between various lines and groups; that the defendant owns equipment to a substantial amount which has been used over the system.

"The plaintiff is informed and believes that many of the leased lines in defendant's system are without adequate equipment of their own and that in many cases motive power employed on the leased lines, or lines of controlled companies has been changed to electricity without supplying said lines with independent power houses or other independent sources of supply of power, leaving such lines dependent for power on other lines of the system."

The petition here sets forth that the defendant's alleged indebtedness to the plaintiff is in the sum of \$36,806.36 for brakes used and miscellaneous carlings furnished and supplied and for which the defendant agreed to pay. The petition sets forth formally that payment of the above sum has been duly demanded and refused.

Continuing the petition says: "It is the plaintiff's information and belief that since entering into possession of the premises the defendant has expended large sums aggregating more than \$3,000,000 in making improvements and additions and other capital expenditures to and upon the lines of its system, including its leased lines, and that said expenditures have greatly benefited such lines and enhanced the value of said leased properties, but that the defendant has no further resources for further expenditures that may be needed; that the defendant has been required and will be required to make large expenditures for the maintenance and repair of its system, and that the defendant will be unable to pay therefor, although immediately necessary for the operation of its lines; that in the course of the operation of its lines numerous accidents have occurred in respect of which suits have been brought and are now pending, and that said suits to the number of several thousands are now upon the calendars of the courts awaiting trial, and that the defendant will be without means to meet judgments recovered in said suits; that there is a suit upon the calendar of this court growing out

of the reorganization of the Metropolitan Street Railway Company, in which it is claimed that the defendant is liable for upward of a million dollars, and the defendant will be without means to meet any judgment recovered thereon. "That there is grave danger that the lines of the defendant may no longer be operated in a single system, but the various lines which are now owned or leased may be broken up and separately operated; that there is likewise grave danger that suits may be instituted against the defendant in respect of the claims above stated, and that it is essential to the interests of the defendant and to the interests of the public and of the plaintiff that the property of the defendant should not be sacrificed; that the position of the defendant is the more acute by reason of the present bad financial situation of public service corporations generally; that there are outstanding unpaid special franchise taxes for the year 1910 against the property of the defendant and certain of the lessors which with interest claimed to be due thereon amount approximately \$500,000; that such taxes constitute liens upon the special franchises of the companies affected and that there is likelihood of steps being taken by officers of the city of New York to sell such franchises for the fiscal year ended June 30, 1918, the result from operation of the defendant's system was such that the income of the year recovers the amount required to pay the interest on the first real estate and refunding mortgage 4 per cent. bonds for the six months, December 31, 1918, the defendant's income of the period was \$738,187.50 less than the amount sufficient to pay such interest; that on December 31, 1918, the defendant's corporate deficit was \$2,150,000.00; that all of the defendant's special and reserve funds have been exhausted and that the defendant has not such sufficient credit to obtain the moneys required for the operation of its property.

That the said system, together with all its appurtenances, rolling stock and other property, is now in a reasonably good condition; that during the last year the lines owned and leased by the defendant carried over three hundred million passengers, and the average number of persons employed by the defendant will exceed six thousand."

The petition concludes by stating the action is taken to conserve the assets of the company, prevent the filing of numbers of suits and consequent legal rights by creditors to obtain priority which in the opinion of the plaintiff might ultimately prevent the defendant from continuing in business.

In the answer to the petition, which was signed on behalf of the New York Railways Company by James L. Quackenbush and Richard Reid Rogers of counsel, the defendant admits all the allegations contained in the petition and joins in the prayer for the appointment of a receiver "to preserve the unity of the system as it has been maintained and to protect and preserve the corporate franchises, privileges and property, to preserve the corporate existence and protect and preserve said property, real and personal, from being sacrificed under any proceeding which can or may be taken to prejudice or sacrifice same."

Members of the Board of Estimate were in session as a committee of the whole, as usual before the regular meeting of the board, yesterday afternoon when word was brought to them at 5:20 o'clock that a receivership was imminent for one of the Interborough companies. Although they had been told that their refusal to grant the Public Service Company the right to give increased fares would result in a receivership, they had not taken any action on the information and had adjourned before full details were learned.

Mayor Hylan asked Corporation Counsel Burr to go to the Federal court and suggest that the receiver be appointed to represent any interest that the city might have. Mr. Burr had a talk with Judge Mayer, who told him of the appointment of Mr. Hedges as temporary receiver. The judge said when argument was heard March 21 to make the receivership permanent he would hear anything the city might want to say at that time.

When Mayor Hylan was told later that the receivership was for the New York Railways Company he said: "The Interborough people said there would be a receiver for these lines. They have made good their promise."

Only several days ago Comptroller Craig declared emphatically that the Board of Estimate would not recede from its refusal to permit the transit lines to get an increased fare. He declared municipal ownership and operation seemed to be the solution of the transit difficulties. Speaking about the subway and the elevated lines, he said that if the Interborough wanted to throw up its contract with the city he felt that some way might be found for the city to finance the lines.

NEW YORK RAILWAYS PAID NO DIVIDENDS

First of Big Interborough
Structure to Go Into
Receivership.

LINES' MERGER OPPOSED

Transfer System May Be
Abolished if Surface
Roads Are Split.

New York Railways Company is the first card in the whole Interborough structure to be plunged into receivership, but the surface lines in Manhattan, which were gathered into one group in December, 1911, got accustomed to the jurisdiction of the court when they were part of the Metropolitan Street Railway System. At the top of the structure is the Interborough Consolidated Corporation, which owns 123,745 shares of New York Railways stock, from which it has never received a dividend, and 339,128 shares of Interborough Rapid Transit stock, in the hands of trustees, which the company is lessee of the Manhattan Railway Company.

The Interborough Consolidated, before it can pay dividends on the stock, had to meet annual interest of \$3,052,125 on \$7,825,000 Interborough-Metropolitan 4 1/2 per cent. bonds. A semi-annual installment of \$1,526,062 1/2 matures on April 1, and thus far funds have been provided by Interborough Rapid Transit dividends to pay only half of this maturity. Whether the balance will be provided by April 1 is doubted in well informed quarters, and if it isn't paid a second card in the Interborough Consolidated structure will fall.

Lines Contributing Profits.

Behind the unwieldy structure were the earnings of the subway and elevated lines, and in addition Interborough Consolidated was supposed to get something out of the annual earnings of the following surface lines which are included in the New York Railways Company:

Twenty-third Street Railway Company, Bleecker Street and Fulton Ferry Railway Company, New York and Harlem Railroad Company, Central Crotona Railway Company, Third Avenue and Tenth Street Railroad Company, Thirty-fourth Street Crotona Railway Company, Forty-second Street and Grand Street Ferry Railroad Company, Sixth Avenue Railroad Company, Broadway and Seventh Avenue Railroad Company, Ninth Avenue Railroad Company, Eighth Avenue Railroad Company, \$2,000,000 to the end of 1918 the New York Railways Company managed to pay some interest on its adjustment income bonds held by the public, but it has never been able to pay a dollar that would go to help out the holding company, which is the Interborough Consolidated Corporation.

Mr. Morgan & Co., which are closely associated in the public mind with the Interborough Rapid Transit Company, were in pronounced opposition to the formation of the structure which was foisted on the public under the name of the Interborough Consolidated Corporation back in 1915. They did not share in the underwriting and were not in sympathy with the effort to turn the profit of the building of two airships, each 800 feet long with a capacity of 3,000,000 cubic feet. They will be driven by six engines, which will generate a total of 1,800 horse-power, and it is said will have a lifting power of eighty tons, compared with twenty-nine tons, the largest load carried by any known to be in existence.

Leaves on the lines operated by the New York Railways Company ranged from 3 per cent. to 15 per cent. on the capital stock of the subsidiary lines and he payment took close to \$1,000,000 out of the total income of the New York Railways, a sum which represented about 60 per cent. of the total income in 1918. The interest charges on funded and other debt more than used up the balance of the total income in 1918 and as a result there was a deficit without any payment on the adjustment income bonds.

Because it has never received income from its ownership of New York Railways stock, the receivership of the surface lines has no particular meaning so far as Interborough Consolidated Corporation is concerned, but the traveling public has a direct interest in

the matter because it may mean a splitting up of the surface lines and the abolition of transfers. The receivership admittedly was due in part to the inability of the company to pay the leases on the subsidiary lines, and the \$0 and \$0.45 per cent. grace having ended there was no recourse but to put the lines into the hands of the court. There are two alternatives: an agreement with the surface line owners to accept a scaling down of rental payments; a return of the properties to their owners, who would each charge individual fares without transfers.

Receivership Foreseen.

There was, of course, another remedy—that of increased fares—but the attitude of municipal and State authorities showed such relief was out of the question. The danger of a receivership had been faced by financial interests for some weeks, the bankers having formed protective committees for the adjusting income and refunding mortgage bonds as long ago as March 8.

New York Railways Company has \$17,485,000 capital stock, \$58,533,027 funded debt outside of \$12,500,000 funded debt of the leased and controlled companies, and at the close of the year its profit and loss account showed a deficit of \$1,355,880. The largest item in the funded debt are \$30,626,977 adjustment income bonds and \$18,069,945 refunding 4s. It started in business on the first of the year 1918 as successor to the Metropolitan Street Railway Company, which was sold under foreclosure.

The old Metropolitan, after a stormy career, went on the rocks in October 1907, having at the time a capitalization of \$139,665,000. From the time of the appointment of the receivers in 1908 to December, 1911, the financial interests concerned struggled with the problems of reorganization, but the new company took over the rentals that had staggered its predecessor and aided its assessments on the stock and the scaling down of funded debt the New York Railways Company operated for slightly more than seven years before it trod the path of many a traction company in the richest city in America.

New York Railways owned, leased or operated under agreement more than 120 miles of track in the Borough of Manhattan and had on hand approximately 2,000 cars. Its officers are: Theodore P. Shonts, president; W. Leon Pepper, vice-president; Frank Hedley, general manager; D. W. Ross, vice-president; H. M. Fisher, secretary; H. M. Campbell, treasurer; and E. F. J. Gaynor, auditor.

On the directors are August Belmont, Jr., E. J. Herwind, A. D. Juilliard, W. R. Kean, C. P. Howland, T. P. Shonts, R. H. Swartwout, Henry W. Bull, T. D. Witt, Cuyler, J. C. Cobb and G. B. Leighton.

PREPARE FOR OCEAN FLIGHT.

Air Experts From England Reach
Newfoundland to Get Data.

St. John's, N. F., March 20.—Airmen and meteorological experts from England have arrived here to conduct observations on air conditions in connection with plans for transatlantic flights. They expect to remain several months. The announced mission of the expedition, Harry S. Hawker had already shipped a machine to Newfoundland with a view to attempting a flight across the ocean in the near future aroused great interest here.

London, March 20.—Following successful trial of new British dirigibles of the rigid type of construction the Government, according to the Mail, has ordered the building of two airships, each 800 feet long with a capacity of 3,000,000 cubic feet. They will be driven by six engines, which will generate a total of 1,800 horse-power, and it is said will have a lifting power of eighty tons, compared with twenty-nine tons, the largest load carried by any known to be in existence.

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Special Dispatch to The Sun.
Montreal, March 20.—A British pilot flying a Sopwith airplane will attempt the flight across the Atlantic from Newfoundland to the British coast probably during the first week in April. It is announced that the aviator will accept for the first airplane delivery between America and Europe twelve letters of not more than one ounce per letter, at a charge of \$500 per letter.

The mail bag will be officially sealed before the start of the voyage and will be handed over to post office officials at the flight terminus.

A party of airmen and meteorological experts from England have arrived at St. John's, Newfoundland, to conduct observations on air conditions in connection with plans for transatlantic flights. They expect to remain several months.

months making a thorough study of wind currents and meteorological conditions generally through the spring and summer.

Newfoundland Government officials said they had no information regarding the plan, but that they were prepared to accord aviators every assistance in the development of their projects.

Villa Releases Mormons.

TEHUACAN, Mexico, March 20.—A telegram was received here today from Bishop A. B. Call of the Mormon settlement at Colonia Dublan stating Bishop J. C. Bentley, James T. Whetten, head missionary of the church, and Albert Tietjen, another Mormon, had been released by Francisco Villa's troops and had arrived at a logging camp sixty miles south of Colonia Dublan and 185 miles below the border.

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